

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

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In the Matter of)	
)	
Jurisdictional Separations Reform)	CC Docket No. 80-286
And Referral to the Federal-State)	
Joint Board)	
)	
Separations Simulation)	DA 99-2677
Cost Study Tool)	

COMMENTS

The National Exchange Carrier Association, Inc. (NECA) submits these comments in response to the Commission's Public Notice regarding evaluation of the Separations Simulation Cost Study Tool (Study Tool), offered by State Members of the Federal-State Joint Board on Separations.¹ The *Public Notice* invites comment on use of the Study Tool by the Separations Joint Board to evaluate separations reform proposals.²

NECA recognizes the importance of an effective mechanism for evaluation of any proposals to reform the current separations regime. NECA believes, based upon its preliminary review, that the Study Tool can enable meaningful comparisons between

¹ See Formal Request from State Members of Federal-State Joint Board on Separations for Notice and Comment on Separations Simulation Cost Study Tool; Public Notice, DA 99-2677; (rel. Dec. 1, 1999) (*Public Notice*).

² *Id.* at 2.

jurisdictional separations results under existing rules, and those produced under a modified regime.³

Jurisdictional separations rules have been in place for more than thirty years. They form the basis for attributing telecommunications expenses, investment and revenues to the respective jurisdictions, using either a direct assignment method, or a carefully conceived allocation methodology. The existing separations regime is a framework that, while not always rendering precise results, helps assure that telecommunications companies are consistent in their treatment of costs.

Reform of the Commission's separations rules necessarily will be a complex endeavor, requiring careful study of the effects of any recommended changes. Unfortunately, significant distortions in separations results are occurring now, as a direct result of changes in technology and network usage patterns (especially, growth in Internet traffic).⁴ These dramatic changes have not yet been reflected in the Commission's separations rules.

³ It should be noted that the Study Tool is one of several available models, including, for example, one proposed by the United States Telecom Association (USTA), which also appears to be an effective mechanism for evaluating differences between reform proposals and current separations rules. Such tools can be useful in determining impacts of proposals on companies. However, detailed software programs for separations, used by many individual companies, likely will yield different results in some cases.

⁴ The record in CC Docket 80-286 demonstrates that the growing effects of Internet usage on separations results is an area of prime concern. *See* Jurisdictional Separations Reform and Referral to the Federal-State Joint Board, CC Docket 80-286, Comments of the National Exchange Carrier Association, National Rural Telecom Association, National Telephone Cooperative Association, and Organization for the Promotion and Advancement of Small Telecommunications Companies (filed jointly, Mar. 30, 1999) (*Associations Comments*) at 2, citing *State Members Report on Comprehensive Review of*

As an immediate remedy for this anomaly, pending more comprehensive reform, various parties have recommended an interim separations freeze.⁵ This idea was endorsed by NECA and others in this proceeding.⁶ NECA continues to believe that an interim separations freeze is an essential step in the reform process. A freeze would halt Internet-related distortions, and would enable the Joint Board and Commission to evaluate and proceed carefully with other needed reforms, in interstate access and universal service, while maintaining the *status quo*, on a time-limited basis.

Comprehensive, effective separations reform must be achieved through careful analysis of whatever proposals are advanced by interested parties. As a first step in this process, however, the Commission should immediately implement the recommended interim separations freeze, to arrest the continuing distortion of results by unprecedented growth in Internet traffic. The Study Tool may then allow the Joint Board and

Separations, CC Docket 80-286 (filed Dec. 21, 1998) (*State Members Report*), at 8 ("Internet communications, most visibly but not uniquely, create fundamental new problems for usage measurement. (I)nternet usage requires a chained communication... (E)ach part of the chain creates a separations problem.") *See also* CC Docket 80-286, Comments of Rural Telephone Coalition, United States Telephone Association, Dobson Telephone Company, and McLoud Telephone Company (filed Dec. 10, 1997); and NECA Reply (Jan. 26, 1998); *see also* Letter from State Members, The Federal-State Joint Board on Separations, to William Kennard, Chairman of the Federal Communications Commission (FCC), Susan Ness, FCC Commissioner, and Michael Powell, FCC Commissioner at 1 (June 17, 1999) (on file with the FCC).

⁵ *See, e.g.*, Comments of USTA (filed Dec. 10, 1997) Jurisdictional Separations Reform and Referral to the Federal-State Joint Board, *Notice of Proposed Rulemaking*; and *State Members Report* at 15-16.

⁶ *Associations Comments* at 4.

Commission to achieve comprehensive separations reform based on a full consideration of likely impacts.

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December 17, 1999

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I hereby certify that copy of the Comments was served this 17th day of December 1999, by hand delivery or first class mail, to the persons listed below.

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